

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Municipal Golf Course Fund

The Municipal Golf Course Fund accounts for the construction, management, and operation of City-owned golf courses which are financed through user charges.

Municipal Golf Course Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 1,344	\$ 833	\$ (511)	(38.0%)
<i>Expenditure</i>	2,223	1,727	496	22.3%
<i>Fund Balance (est. *)</i>	730 *	523	(207)	(28.4%)

The revenue and ending fund balance variances reflect significantly lower than expected income from both the Rancho del Pueblo and Los Lagos Golf Courses.

Contributing factors that have resulted in the reduced revenues of Los Lagos and Rancho del Pueblo Golf Courses appear to include both the impact of local economic slowdown and the increased competition from additional golf courses. Seven new courses have opened up in the San José area and neighboring communities since 1999.

An analysis of year-ending revenue performance at Los Lagos and Rancho del Pueblo Golf Courses also indicates that achieving the adopted revenue estimates for 2004-2005 is highly unlikely. The remaining fund balance, when combined with revised revenues estimate will be insufficient to support the debt service payments for these two golf courses. In the short term, a transfer of \$300,000 from the General Fund to the Municipal Golf Course Fund is therefore recommended as a part of this report to prevent the fund from running short of the level of funding necessary to cover the debt service expenses in this fund. The Parks, Recreation and Neighborhood Services Department is currently developing options for City Council consideration to address this imbalance in the future.